

September 25, 2013

County Executive Fitzgerald;

The Ohio Hotel & Lodging Association and our affiliate the Greater Cleveland Lodging Council are opposed to Ordinance No. O2013-0020 regarding the Cuyahoga County Lodging Excise Tax. This Ordinance would unjustly require hotels to pay tax on compensated rooms, even rooms given to charity, and requires them to pay more tax when they compensate a room than when they sell a room.

The lodging tax is a tax that the hotels collect from the consumer and passes along to the government. Hotels do not receive any payment or tax for compensated rooms, but under the proposed ordinance they would still have to pay the tax. The hotels will effectively have to pay the tax out of their revenue, making it a new tax directly on hotels.

State law does not permit the taxation of compensated rooms. The lodging tax is a permissive tax in which the county receives authority to levy under state law. Under the proposed ordinance hotels would pay the tax, not the guests, making this a new tax outside of the permission provided by state law. Furthermore, by assessing a tax on compensated rooms the County will be taxing above the rate allowed by state law.

Charitable giving to non-profits is one of the biggest reasons for providing compensated rooms. The proposed ordinance would require hotels to pay tax even when "the sale is done at no charge". This vague language requires hotels to pay tax when compensating rooms to charities, at which point the hotel would be liable for tax on their good deeds.

Finally, the ordinance appears to require hotels to remit tax at the "maximum actual rate the hotel may charge for a room" when they compensate a room. This sentence is contained in the inaccurate definition of "Rack Rate". Hotels rarely receive the maximum rate for a room which means they will be paying more tax for rooms they compensate than they do for the great majority of rooms they sell.

This ordinance is set for a hearing on September 30, 2013 and the draft has an effective date of October 1, 2013. We respectfully request a meeting to address our concerns before action is taken on it.

Sincerely,



Matthew L. MacLaren, Esq.
Executive Director
Ohio Hotel & Lodging Association

CC: County Executive Ed Fitzgerald
Councilman Dan Brady
Councilman Michael J. Gallagher
Conwell Councilman Pernel Jones, Jr.
Simon Council Chief of Staff Joseph Nanni

Council President Ellen Connally
Councilman Dave Greenspan
Councilman Jack Schron
Councilman Julian Rogers

Chairman Dale Miller
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